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Canada Railway Expenditure, Special
Committee on

R (4th SESSION)

(14th PARLIAMENT)

(16 GEORGE V, 1925)



The Senate of Canada

REPORT

OF THE

SPECIAL COMMITTEE

ON

RAILWAY EXPENDITURE

The HON. W. B. ROSS, K.C.
Chairman

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SPECIAL COMMITTEE

ON

RAILWAY EXPENDITURE

THE HON. W. R. ROSS, M.C.
Chairman

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ORDER OF REFERENCE

"To inquire into and report upon the best means to relieve the country from its heavy railway expenditure."

MEMBERS OF THE COMMITTEE

The Hon. W. B. Ross, K.C., Chairman

The Hon. Messieurs:—

Béique,
Belcourt,
Dandurand,
David,
Calder,
Green,

Griesbach,
Laird,
Lougheed (Sir James),
Lynch-Staunton,
McLennan,

Pardee,
Robertson,
Robinson,
Watson,
Webster, L. C.

THURSDAY, June 25, 1925.

The Special Committee appointed to inquire into and report upon the best means to relieve the country from its heavy railway expenditure beg leave to make their second and final report, as follows:—

1. At the commencement of its inquiry, the Committee passed the following resolution:—

"Resolved: That the inquiry of this Committee should be confined to ascertaining from business and railway experts the best means to relieve the country of its heavy annual railway deficits, without entering into intimate details or particulars of the administration of the railways operating in Canada."

2. In pursuance of this resolution the Committee heard the evidence of a number of prominent business men.

3. The Committee sat in camera without shorthand reporters, as the Committee were anxious to assure the witnesses the utmost freedom in expressing their views in the frankest possible manner, so making it unnecessary for the witnesses to make qualifications or distinctions which they might wish to do if their evidence was to be published, but which, so far as the inquiry was concerned, would be relatively unimportant.

4. It was made clear by the witnesses that the increasing of the obligations of the country on account of the Government railways is a matter causing much national concern.

5. The addition to the national obligations through the Canadian National Railways has, for the last six years, averaged about \$100,000,000 annually, amounting in the aggregate, according to the Government and railway reports, to the sum of \$710,943,247, or to the sum of \$595,943,247 in the last five years. There is no assurance that under the present system this expenditure will materially decrease in the near future.

6. Among the different schemes discussed by the witnesses the most important were:—

- (a) Co-operation between the Canadian Pacific Railway and the Canadian National Railway systems.
- (b) The acquisition by the Government of the Canadian Pacific Railway.
- (c) The sale or lease of the Canadian National Railways to the Canadian Pacific Railway.
- (d) The transfer of the Canadian National Railways to a private company, to be owned and operated by such company.
- (e) The merging of the two railway systems for purposes of administration and operation.

That both the Canadian Pacific Railway and the Canadian National Railways should be placed under the management of a Board of

fifteen directors, five to be named by the Canadian Pacific Railway, five to be named by the Government, and these ten to choose five proven, capable business men to complete the Board; these last five directors to hold office for ten years and to be removed only for cause.

That a recapitalization be made of the Canadian National Railways from the point of view of earning capacity.

That the Canadian Pacific Railway be guaranteed an agreed dividend on its stock.

In the event of the joint management producing a surplus, a dividend at the same rate as is paid to the Canadian Pacific Railway be paid to the Government on the capitalization placed on the Government Railways. After the payment of these dividends any surplus earnings available for distribution be divided between the Canadian Pacific Railway and the Canadian National Railways, in proportion to the valuation of the two systems.

7. Various witnesses emphasized the waste of effort and money on competitive immigration practice, urging consolidation of effort in this connection. Three agencies are at work to secure immigration into the Dominion, viz: the Dominion Government, the Canadian National Railways and the Canadian Pacific. Each of them maintains independent organizations, and their competition entails heavy expense; an expense which could be materially reduced by a unified system which would, at lessened cost, secure better results.

8. It was also stated to the Committee that no inconsiderable part of the expenditure of the Canadian railways is attaining no other end than dividing existing traffic.

9. Your Committee is of opinion that unless energetic means be adopted to reduce our National Debt and the income tax, as is rapidly being done in the United States, we will be unable to command the foreign capital absolutely necessary for the development of our natural resources.

10. For those reasons, the scheme mentioned in sub-paragraph (e) of paragraph 6 above is strongly recommended to the attention of the government.

11. The merging of the two railway systems for purposes of operation and administration as above will remove or dispense with duplication in railway tracks and rolling stock, in passenger and freight services, in railway stations from the Atlantic to the Pacific, in telegraph, express, and other services, in offices, in accounting and book-keeping, in numerous other special offices and staffs, in administration boards, etc., etc., and thereby and otherwise save an enormous amount of money to the country.

12. On unification of the railways taking place, your Committee recommend that the powers of the Board of Railway Commissioners be increased, if necessary, to secure the safeguarding of the interests of the public.

13. Your Committee is of the opinion that the railway question is one of extreme importance and of the utmost urgency; that the constantly increasing public obligation on railway account is approximately two million dollars per week, and that until this problem is settled in some way which will reduce

the present enormous expenditure there can be no relief from taxation which is bearing so heavily on all classes, nor can there be any move towards the reduction in rates and fares so essential to the prosperity of every inhabitant of Canada.

All which is respectfully submitted.

W. B. ROSS,
Chairman.

EXTRACT FROM
The Debates of the Senate
OFFICIAL REPORT

Vol. LX

Thursday, June 25, 1925

No. 48

RAILWAY EXPENDITURE
REPORT OF SPECIAL COMMITTEE

Hon. W. B. ROSS moved concurrence in the report of the Special Committee appointed to inquire into and report upon the best means to relieve the country from its heavy railway expenditure.

He said: Honourable gentlemen, all I have to do is to move the adoption of this report. I am sorry that the honourable Senator from Mille Iles (Hon. Mr. David) is not present, as it was he who originated this inquiry.

I do not want to say too much about the report; but I think it will be found to be a valuable one, and that this House owes something to the honourable Senator who originated the Committee. The report is not the report of any one man; every member of the Committee had something to do with it. The attendance of the members of the Committee was wonderfully regular, every member being present, I think, at every meeting. The greatest interest was evinced in the subject that we were investigating, and I think we owe the thanks of this House to the gentlemen who appeared before the Committee for the candid, straightforward evidence which they gave; I think they gave us of their very best. There was a special reason why we should not have their evidence taken down in writing. We knew it was a pretty broad inquiry, and that a man making a statement, thinking it was for publication, which he would do if it were taken down, would fence around his statements with qualifications and limitations which, after all, on the subject that we were dealing with, were not very important in themselves, and probably would have prolonged the inquiry. Further than that, it

might have embarrassed some of the gentlemen in giving their evidence.

I must say for myself that it was the most satisfactory Committee of this House that I ever sat upon, and I am in hopes that something important will result from it.

I think it would be wise for this House to keep its hand on this subject, and not allow the matter to drop with the making of this report. We will be here again within a reasonably short space of time, and I think it would be well for the honourable Senator who first moved in this matter to move again, and to keep at it until some solution is found for what is the greatest problem before the people of Canada to-day.

I have much pleasure in moving the adoption of the report.

Hon. Mr. BEIQUE: Honourable gentlemen, I desire to join with the honourable member from Middleton (Hon. W. B. Ross) in commending the action of the honourable member for Mille Iles (Hon. Mr. David). I look upon this question—and I think my feelings are shared by every other member of the Committee—as the greatest question that has agitated the minds of the people of this country. You have only to look at the figures mentioned in the report to see that I am not exaggerating its importance.

If I were consulting only my own personal interest I would not be in favour of this report, because I appreciate very highly being a member of the Board of the C.P.R. I may say that there is nothing material in my life that I appreciate more than that position, and I realize perfectly that if effect is given to the report now presented to the House it will involve my disappearance from that Board. But

this is a matter of such great importance that all personal considerations must disappear.

I will give some figures which do not appear in the report. The additions to the national obligations of the country for the last five years were nearly \$600,000,000, and for the last six years \$710,000,000.

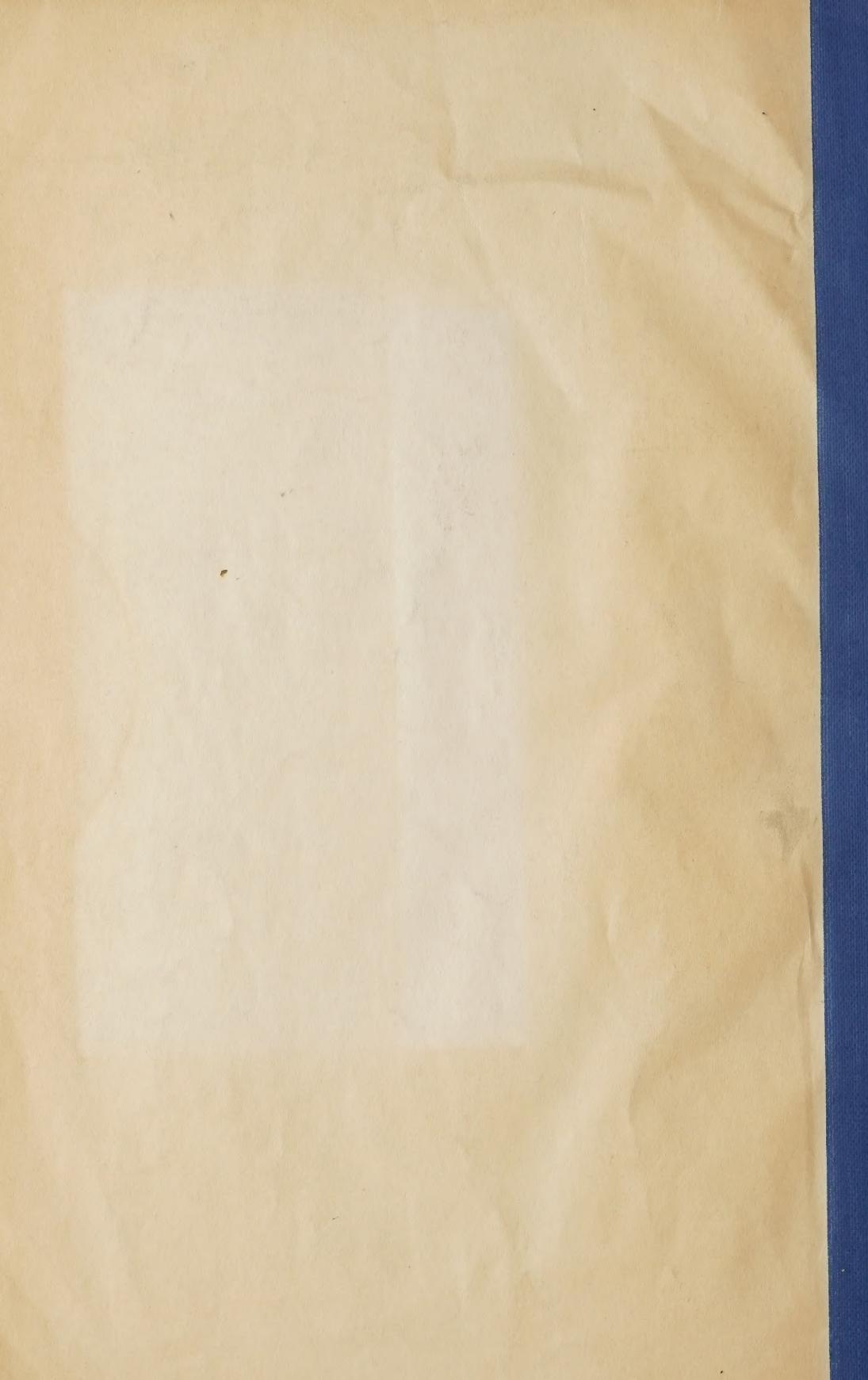
Now, the capitalization and bonded indebtedness of the Canadian Pacific Railway Company on the 31st of December, 1924, were as follows: Ordinary stock, \$260,000,000; 4 per cent preference stock, \$100,148,587.78; or a total of \$360,148,587.78. In addition, there was 4 per cent consolidated debenture stock to the amount of \$264,244.882.08; 10-year 5 per cent collateral trust gold bonds to the amount of \$12,000,000; 20-year 4½ per cent sinking fund secured note certificates amounting to \$30,000,000; and mortgage bonds, Algoma Branch first mortgage, 5 per cent, \$3,650,000; or a total capitalization of \$670,043,469.86. This is on the Canadian Pacific property.

In addition, there are obligations of subsidiary companies which amount to \$35,015,000. The figures appear in the report, and might be put in the Minutes, if necessary:

Fixed charges for year ended December 31st, 1924			
£200,000	St. Lawrence & Ottawa Ry. First Mortgage Bonds, 4%..	\$38,933	34
\$2,544,000	Man. S. West. Colzn. Ry. 1st Mortgage Bonds, due June 1st, 1934, 5%.. . . .	127,200	00
£4,007,381/15/5	Ontario & Quebec Ry. De- benture Stock, 5%.. . . .	975,129	56
\$2,000,000	Ontario & Quebec Ry. Ordin- ary Stock, 6%.. . . .	120,000	00
£1,330,000	Atlantic & North West. Ry. 1st Mortgage Bonds, due January 1st, 1937, 5%.. . .	323,633	34
£750,000	Algoma Branch 1st Mortgage Bonds, due July 1st, 1937, 5%..	182,500	00
\$500,000	New Brunswick Southern Ry. 1st Mortgage Bonds, due January 1st, 1933, 3%.. . .	15,000	00
\$500,000	Lindsay, Bobcaygeon & Pon- typool Ry. 1st Mortgage Bonds, due July 1st, 2002, 4%..	20,000	00

Making a total of \$35,015,000. Added to the \$670,043,469.86, this makes a total of \$705,058,000. Apart from that, there are amounts due for rentals of railway, amounting to \$1,557,355. So that the whole capitalization, including bonding liability and rentals amounts to a little over \$700,000,000.

The report was concurred in.



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